USD AT&L Affordability / Efficiency Initiatives

Promote Real Competition

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Why focus on competition?

In FY09, 35% of Defense Spend (or $134B) was awarded without competition (*DoD's Competition Report for FY 2009*).

"Real Competition" vs. "Ineffective Competition"

Annually, approximately $55B of **"competitively"** advertised Defense procurements yield single offers. In essence, these competitions are ineffective.

Studies have reported different conclusions (ranging from 10% to 50%) on the effect competition has on price, but consistently conclude that competition drives down prices.

New Competition Requirements

14 Sep 10 USD, AT&L Memorandum

Each agency's competition advocate must develop a plan to improve (at a minimum):

- **Overall** competition by **2%** per year – move from a sole-source environment to competitive

- **Effective** competition by **10%** per year – reduce the number of single offer competitions

Four Pronged Approach to Promoting Real Competition

Remove Obstacles to Competition

Require Open Systems Architecture and set Rules for the Acquisition of Technical Data Rights

Present a Competitive Strategy at each Milestone

Increase Dynamic Small Business Role in Defense Marketplace Competition

Remove Obstacles to Competition

Easy Obstacles to Remove:

- Allow sufficient time for proposal preparation
- Perform adequate market research
- Plan for replacement contracts to avoid having to rely on bridge contracts

- Write clear and non-prescriptive scopes of work
- Use meaningful evaluation factors that do not arbitrarily restrict competition
- Provide as much information as possible so the incumbent is not favored

Remove Obstacles to Competition

24 Nov 2010 – DPAP Memorandum

- If a solicitation was open for less than **30 days** and only one offer was received, agency shall **re-advertise** the solicitation for a minimum of 30 days

- If the solicitation was open for at least 30 days or re-advertisement yielded a **single offer**, agency shall request certified cost & pricing data or other than certified cost & pricing data and **conduct negotiations**

(In both cases, requirement can be waived by HCA. HCA can delegate to the level above the Contracting Officer)

Remove Obstacles to Competition

Potential Department of Defense FAR Supplement (DFARS) Updates:

Part 205.203 may require any solicitation that allows less than a 30-day response time to notify offerors that if only one offer is received, the Government may cancel and resolicit.

- If only one offer is received, Contracting Officers may be required to resolicit unless an exception applies or a waiver is granted. Exceptions include support of contingency operations, disaster relief, peacekeeping operations, etc…

- An exception is being considered for orders on multiple award contracts when the Contracting Officer determines that additional time would not result in any

Remove Obstacles to Competition

Potential Department of Defense FAR Supplement (DFARS) Updates (continued):

Part 215 will require that Contracting Officers conduct negotiations with all single-bid offers, documenting analysis in the PNM/Business Clearance Memorandum iaw FAR 15.406-3 and PGI 215.406-3.

New rules apply to competitive procurements for **services, supplies and construction above the SAT, including commercial items**. Further, they cover procurements under FAR Parts 8, 14, 15, and 16.

Contract Review Boards and the Peer Review Process will be used to assess application of new requirements. Defense Acquisition Guidebook will be updated accordingly.

Remove Obstacles to Competition

How do Open Systems Architecture (OSA) and the acquisition of Technical Data promote real competition?

a.They prevent vendor lock-in
b.They increase the number of potential vendors
c.They allow for competitive future system upgrades
d.All of the above are correct

Require Open Systems Architecture and set Rules for the Acquisition of Technical Data Rights

3 Nov 2010 – USD, AT&L Memorandum

A business case analysis, in consort with the engineering tradeoff analysis will be presented at Milestone B.

<u>Business case analysis will outline:</u>

- Approach to Open Systems Architecture
- Technical data rights that will be pursued

Analysis will be reported in the Acquisition Strategy Report and in the competition strategy.

Present a Competitive Strategy at each Milestone

DoD recognizes some major programs are not suitable for classic head-to-head competition. However, all programs should have a **competitive strategy**.

Competitive strategy can consider:

- If a related program can serve as a partial substitute
- A plan to re-gain competition in an unproductive sole source situation
- Breaking out subcontracted work
- Adapting commercial products

Present a Competitive Strategy at each Milestone

Competition Strategy

- How will competition be established and maintained through all phases of the acquisition?
- How does the competition strategy facilitate the acquisition strategy?
- What is the competition strategy for the upcoming acquisition phase?
- How do the results of the last acquisition phase impact the strategy for the upcoming phase?

For Each Contract

- What is the purpose, type and value of the contract?
- How is the contract aligned with the acquisition and competition strategies?
- What is the incentive structure and how will the incentives foster contractor behavior resulting in favorable cost, schedule and performance outcomes?

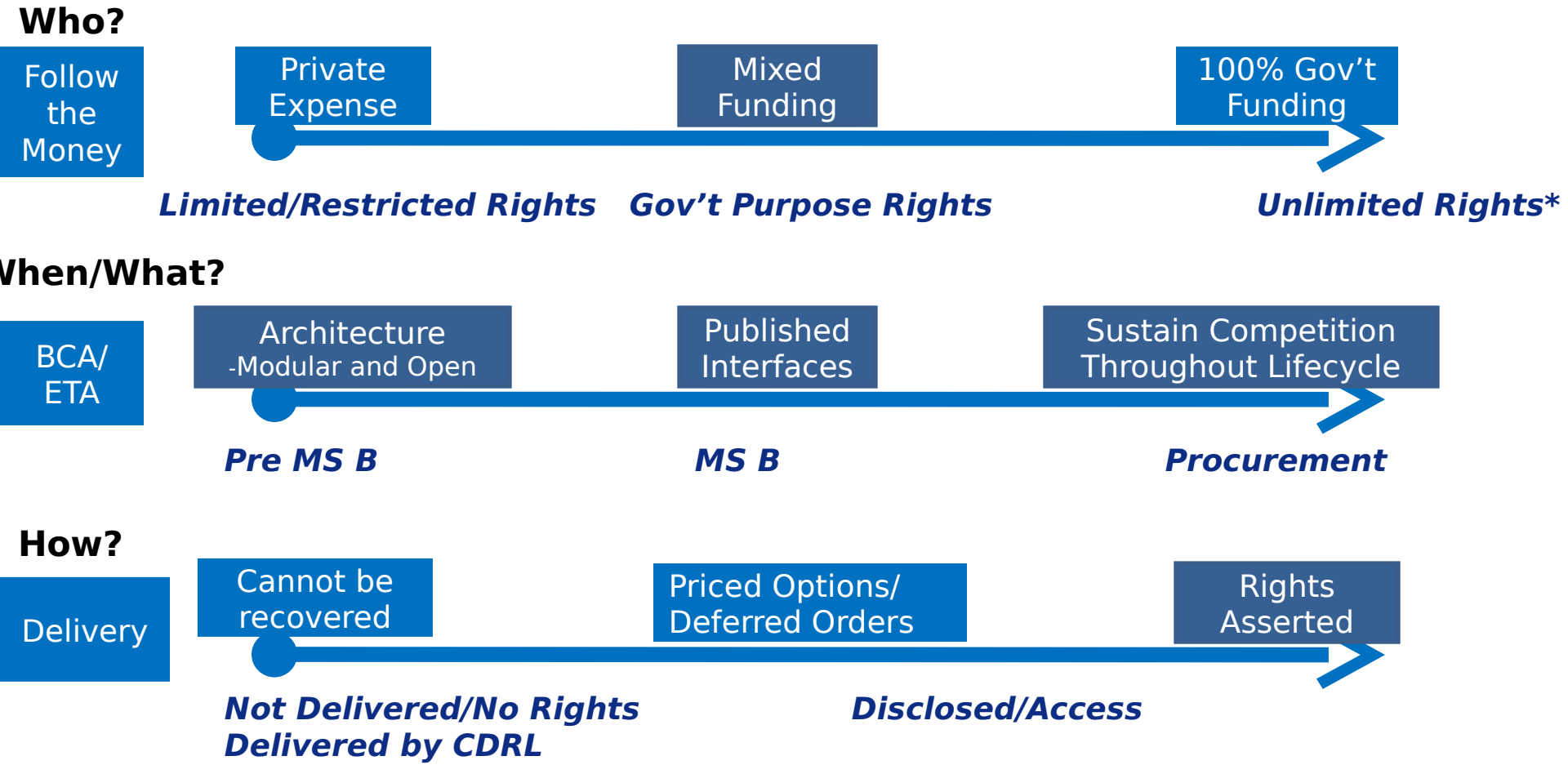
Present a Competitive Strategy at each Milestone

3 Nov 2010 – USD, AT&L Memorandum

A competitive strategy shall be included in the acquisition strategy prior to each milestone for ACAT IC, ID, II, III, and IV programs. Agencies will report to USD, AT&L on how they intend to reduce single-bid competitions.

Report will address market research, restrictive specifications, and adequate time for proposal preparation. All agencies shall achieve a 2% reduction in single-bid contracts in FY2011, with continuing reductions thereafter.

Consideration for "Setting Rules for Acquisition of Technical Data Rights"



Rights to Data Drive Competitive Strategies

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OSA, Technical Data Rights, & Competitive Strategy Policy Updates

Defense Acquisition Guidebook Updates in process:

- Requirements and rules for OSA and the acquisition of technical data rights, including the requirement to conduct a business case analysis at Milestone B

- A standardized technology maturity evaluation process to determine availability and requirement fit solutions prior to acquisition

- New templates to address competition acquisition strategies at Milestones A & B

OSA, Technical Data Rights, & Competitive Strategy Policy Updates

Additional Policy Updates:

DoDInst 5000.2 will be updated to include the requirements to conduct an OSA/Technical Data rights business case analysis at Milestone B and to present a competitive strategy for each program at each milestone for USD AT&L level oversight programs.

DoD 5101.12-M "Procedures for the Acquisition and Management of Technical Data" dtd May, 1993 will be updated to reflect new requirements.

A **DoD Open Architecture Guidebook for Program Managers** is being developed.

Increase Dynamic Small Business Role in Defense Marketplace Competition

Why? Small businesses drive the economy and lead the nation in innovation. They create 65% of all new jobs and hold more patents than all the nation's universities and largest corporations combined.

3 Nov 2010 – USD, AT&L Memorandum

All competitive and non-competitive procurements will seek to increase small business participation through weighting factors in past performance and in fee construct.

Increase Dynamic Small Business Role Policy Updates

Changes to increase use of the **Mentor-Protégé program** and examine other mechanisms for including more "non-traditional" DoD suppliers are still under review.

The following Defense Acquisition Guidebook updates are currently under development:

- Best practices for optimizing small business participation across DoD (specific tools/approaches)

- Method for making market research more available to acquisition teams through a maximum practicable opportunity analysis model

Questions?